

FINAL REPORT

19980209

MARKET RESEARCH AND DEVELOPMENT PROJECT

January 2001

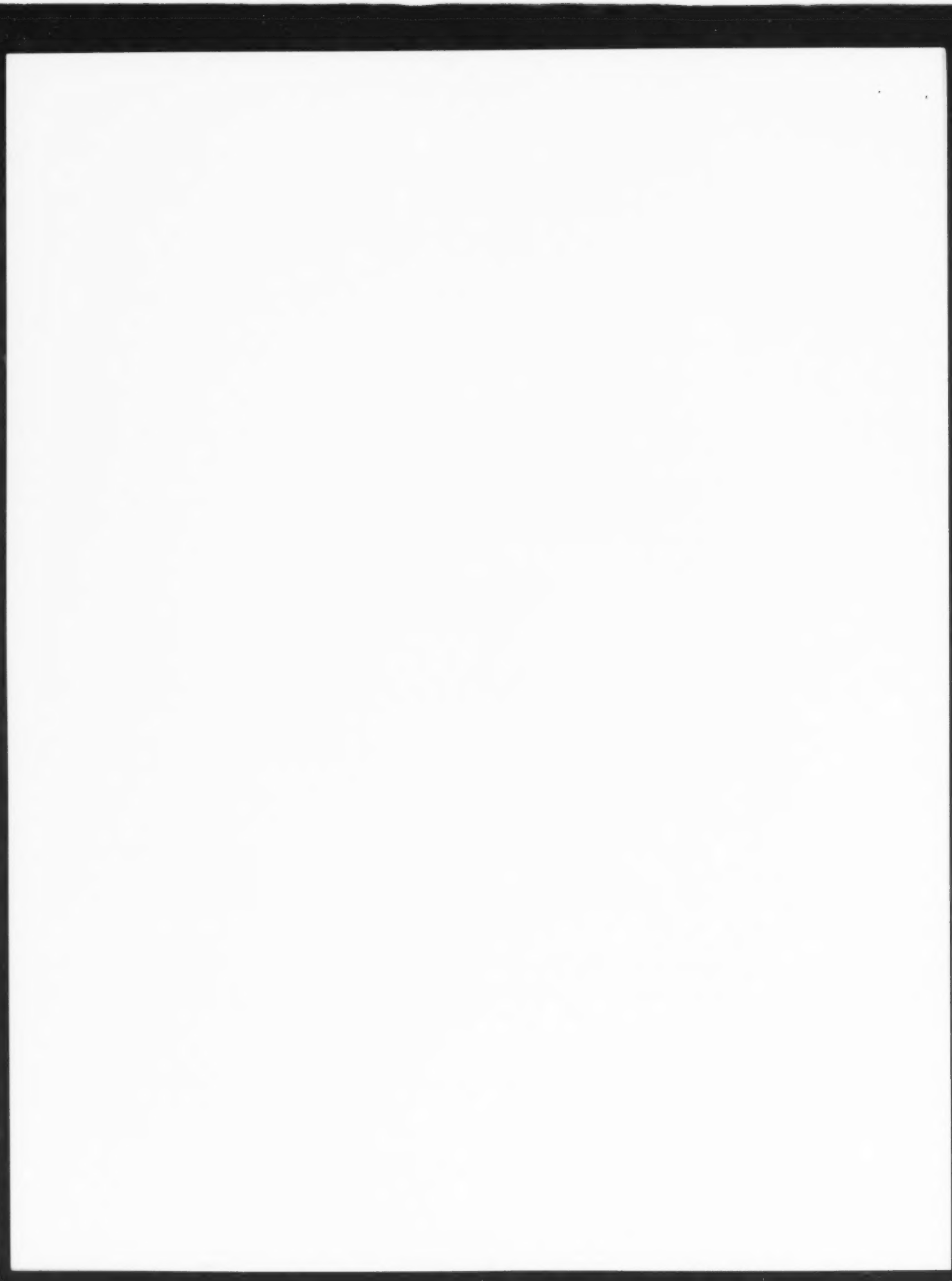
Funded by the Agri-Food Innovation Fund

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Canada

Saskatchewan



**FINAL REPORT
FOR THE AFIF/AMULET WESTERN HERITAGE PRODUCTS
MARKET RESEARCH AND DEVELOPMENT PROJECT .
Dec. 15, 2000**

PROJECT No. 19980209

GENERAL OVERVIEW

As this report is being written, Amulet Western Heritage Products (Amulet) has sold-out of 1999- 2000 bison robes. We have requests for many more robes on back-order. We have a large inventory of custom bison hides awaiting tanning and an order has just been received from the North American Bison Co-op (NABC) for another 80 custom hides to be done as soon as possible. We have a custom tanning order for 15 hides from Mandan , ND. (this customer will be making use of Saskatchewan and Manitoba hides from the NABC). We received another custom order just today from "The Saskatoon Farm" for the tanning of 30 buffalo robes. We have many smaller orders awaiting tanning and are expecting more to arrive in the next three months. This marks a large increase in the number of custom robe tanning orders over the same time last year. We plan to purchase another 100 raw hides to tan for re-sale after tanning by Amulet

We have numerous other tanning projects underway for custom work on coyotes, wolves, etc. We have just completed tanning the cape of the largest moose ever killed in Canada for a taxidermist. We are also initiating new product lines such as painted robes, mitts, moccasins, rawhide and buckskin leather. Our challenge for the immediate future involves putting together the operating capital necessary to get staffed up for a very busy winter and to acquire the resources necessary for much needed plant expansion and increased storage capacity.

The level of work confronting us today is primarily due to the marketing efforts undertaken in the AFIF/Amulet Market Development and Research Project and the high quality of our tanning work. Our tannery is busy because we do good work and because AFIF helped us put significant resources into our initial marketing thrust over the course of 1999 and 2000.

As a result of the AFIF/Amulet Market Research and Development Project, Saskatchewan bison producers now have a growing local market for their raw hides. In addition, Amulet has built a presence in the marketplace allowing us to sell finished products made from Saskatchewan bison hides.

Awareness of our company and its quality work is now fairly well established within the bison community in Canada and to a lesser but growing extent in the United States. Our relationship with the bison industry is incredibly beneficial, as it has put us in contact with a host of marketers who have already established their own markets for bison bi-products. Our connections with the industry have created a good custom tanning market for us which results in employment for Saskatchewan people and provides cash flow for our business.

One of the marketing/promotional coups achieved by the company recently was the selection of an Amulet tanned hide for the gift presented to Ted Turner, a giant in the bison world, at the 2000 International Bison Conference held in Edmonton. Mr. Turner is the largest bison rancher in the world and is the largest share holder in the North American Bison Co-op (NABC). The growing appreciation for Amulet product quality, enhanced by the Turner presentation, has encouraged the NABC in New Rockford, North Dakota, to choose Amulet as tanner for the robes it wishes to sell through its world-wide connections. Many of the hides we tan for the co-op are of course from Saskatchewan owned bison slaughtered at the co-op. The co-op knows that Saskatchewan and Manitoba hides are better suited to tanning for robes than most U.S. grown hides. Our relationship with the NABC has been structured with a view to increased business once the planned North Battleford, Saskatchewan bison slaughter plant is operating.

Hides purchased by Amulet from Saskatchewan producers and the co-op have been tanned and sold to museums, architects, hotels, bars and restaurants, a bison coat manufacturer, decorator supply outlets, Indian bands, movie companies, retail trading posts, tourist facilities, bison and western lifestyle enthusiasts and other customers across western Canada and the western U.S. Prominent markets today include: The Alberta foothills region and New Mexico. We have made sales in Manitoba, Saskatchewan, Alberta, British Columbia, New Mexico, Montana, Wyoming, Colorado, California and Ireland. We expect demand to remain strong for the foreseeable future in the markets we have already focussed on and we anticipate additional sales as we enter new markets.

We expect that over the next five years we will have increased our sales and production capacity to where we are capable of tanning and marketing from 700 to 1,000 prime bison robes a year. Increased production will result from: growing awareness in the U.S. of our quality work, new product development -- such as adding traditional native art to the flesh side of robes, and smaller items such as pillows, mitts, purses etc.; Greater consumer awareness of our products as a result of the increasing exposure of our hides through sales and marketing initiatives. We strongly believe a large portion of the market share currently occupied by other companies will likely come our way as the quality of our brand name becomes better known. We are immodest enough and confident enough to presume that Amulet will be the pre-eminent tanner of bison robes in North America from both a quality and volume perspective within the next two years.

An additional, market for hides will be developed as we commence purchasing raw hides and having them processed into leather over the coming few years. We have already been experimenting with leather tanning techniques and have a small inventory of tanned bison leather. However, before we can do this cost effectively we will need to invest substantially in equipment, plant expansion and further marketing efforts. There is stiff competition in the leather industry, but we are optimistic that by applying the same attention to quality to leather as we have with our hair-on tanning we can establish local markets and niche markets. If viable, the leather side of the business could see us making use of many additional Saskatchewan produced buffalo hides.

Amulet has employed three full-time and two part-time workers during the busy period from December to June. We have also contracted with three contract sales agents who help

market our products throughout the year. The remainder of the year we have been able to operate with one full-time worker and two part-time employees. However, work loads have increased for this coming year which will require at least two additional full-time staff, bringing our total compliment for the busy period to 4 full-time and one to two part-time employees. Perhaps the most notable achievement of our AFIF funded projects is the value in terms of the number of jobs created for the amount we have invested.

Much of the activity and investment for this project occurred prior to June of 2,000. The Interim Report for the project was submitted in January , 2000. The overall budget for the project was exceeded with the additional funding supplied through Amulet's resources.

Objective #1. Raw hide handling brochure/workshops.

The Rawhide handling brochure was very well received at our workshops, trade show displays and upon request from people responding to our ads. Additional, expenditure was required to run additional copies as we have been running out quite frequently..

The workshops were well received. In fact where we appeared in conjunction with a bison conference such as the Saskatchewan Bison Association summer field day, organizers told us that a number of participants came only because they heard we would be doing a workshop. Workshops were held in North Battleford (2), Weyburn, Gull Lake, Regina (2), Maple Creek;

Objective #2 Domestic Market Awareness

The advertising initiatives we implemented with this project have produced results. While trade shows have perhaps accounted for more work and sales than our print ads or mailings, the print ad response was easier to measure. Shortly after any of our print ads ran we could readily note the increase in inquiries, bookings for custom work and sales of finished product. We have sold and custom tanned over 200 buffalo along with assorted furs and hair-on beef hides. We have established our brand name in bison circles as well as among an assortment of other customer groups.

Print ads promotional materials were placed and appeared in the Smoke Signal, The Tracker, The Western Producer, The Farm & Ranch Review, The Farm & Ranch Directory, The Fort Walsh Commemorative History Magazine, The Prairie Post, and The Maple Creek News. and its associated weekly papers across Saskatchewan. The magazine print placements included two-page spreads in full colour promoting our products. At present we run regular year-round ads in The Tracker, The Smoke Signal, and The WF&RD publications

Additional print publicity and promotion was received due to two western Producer Articles on our Tannery and in response to mass faxes and mailings to news media promoting our tannery through such news worthy items as the sale of a buffalo robe to Ted Turner. The publicity was very beneficial but came with a cost for print materials, mailing and faxing of news releases etc. Stories about the tannery ran on numerous western Canadian radio stations and appeared in a number of weekly newspapers.

The beneficial effects of trade show attendance require time to recognize. it is often a few weeks after someone has seen our products at a trade show that a purchasing decision is made. We had a trade show booth and display racks constructed and attended over 15 trade shows and promotional events.

While we were able to sell numerous smaller ticket fur items and some bison products at shows these did not constitute a significant source of revenue.

Trade Shows & Promotional Events Attended (additional shows appear under other budgets) Include:

North Battleford- Specialized livestock Conference

North Battleford - Sask Bison Assn. Field Day
 Weyburn - Sask. Bison Assn. Field Day
 Olds, Ab.- Alberta Bison Assn. Annual Convention
 Edmonton, Ab.- Northlands Farm & Ranch Fair
 Edmonton, Ab. - Bison 2000 International Conference
 Calgary, Ab. - Calgary Stampede
 Denver, Colorado - North American Bison Assn. Conference and Sale
 Fort Walsh, Sk - RCMP Anniversary Celebration
 Gull Lake, Sk. - Regional Bison Conference
 Maple Creek - Cowboy Poetry Gathering (1999)
 Nikaneet 1st Nation - International Healing conference and Pow-Wow.
 Regina - Agribition 1999 and 2000 – Canadian National Bison Show and Annual Meeting
 Fargo, Nd. - Big Iron Farm & Ranch Show
 Regina, - AFIF Conference Nov. 2000

We had purchased our computer hardware and software in 1999 and established e-mail capability at that time. The harsh tannery environment has required us to replace all our original equipment and design measures to control dust and corrosion. Our site has now been contracted for development with SaskTel New Media in conjunction with the design people who have been working on our print projects up until now. The agreement has been signed, work has commenced and we expect the site to be up and running shortly.

The original brochures and flyer have required several re-writes and additional print runs. This is because we were required to alter some prices and offerings in response to consumer feedback. Our latest catalogue has been designed and will be available shortly. The new catalogue/flyer includes a variety of new products including additional added value products including: mitts, moccasins and painted robes.

Objective #3 Market Testing

Our second round of targeted mailings has been completed. We identified our most receptive markets from the first round which has helped reduce future costs. The Preferred target categories include: Taxidermists, Decorators, Movie Suppliers, Trading Posts (geared for tourism), log furniture retailers, bison related tourist facilities, museums, acreage owners/hobby farmers, bison bi-product marketers.

Personal sales calls continue to be the most successful sales technique we have to date. We contracted with three Canadian sales agents over the past year and one agent in the U.S. As noted in our Interim Report, our initial south west U.S. agent suffered a debilitating injury in 1999 and has not been able to resume her involvement to date. As an interim measure, we were able to move one of our Canadian agents into the U.S. to cover our involvement in the south west U.S. market.

The people making personal calls on our behalf have demonstrated a considerable amount of versatility and inventiveness in establishing markets for our products. Amulet attributes this to our ability to contract with outgoing well-known western personalities to act on our behalf along with Jim Warren's personal sales efforts. Our sales agents are known in the western sport of rodeo; one has a strong relationship with the movie industry and two are Metis. Our sales efforts are focused on the quality and high degree of craftsmanship in our products -- supplied with quality products, our contract sales agents were able to rely on their personal skills, connections and ability to seek out sales possibilities to do the rest. Jim Warren, from Amulet, also participated in personal call efforts with significant success.

Objective #4 U.S. Market Penetration

Our initial arrangements for the southwest U.S. collapsed with the illness of a critical player in the project. Our associate's illness required us to make alternative arrangements. These included additional trips to the region by Jim Warren and the recruitment of an alternate marketing representative for the region in the winter of 2000.

Amulet contracted Wapashoe Enterprises in the early winter of 2000 to assist with operations for us in the south west U.S. Wapashoe is managed by Joe Braniff, from Saskatchewan. Joe is a very well known rodeo announcer who has announced prestigious rodeos such as the Calgary Stampede. Joe is Metis and appreciates the connections of Metis tradition to the sorts of products Amulet offers for sale. When our original south west U.S. connection was disrupted in 1999, Joe's rodeo connections and relationship with native people in the south west (he announces many Indian rodeos) facilitated the continuation of our activity there.

With Wapashoe focussing on the U.S. southwest, Jim Warren looked after activity in the northern plains states. Arrangements with Wapashoe offer tremendous potential. In addition, Jim Warren's activity in the Northern Plains States has produced significant new orders and perhaps the greatest potential for the immediate future of the company.

While it was initially a blow to planning when we lost our associate in the southwest, the steps we have taken to ameliorate the situation have proved to be workable and actually more cost

effective over the long run than our original plan. By providing funds to outfit and equip a topper capped pick-up and by providing good sales materials: brochures/flyers, order forms and samples we were able to meet our objectives with less cost than that afforded by the warehousing plan. Our goal is to have retailers making use of their space to store and display hides.

We are now in a much improved position. We have some retailers willing to pay our wholesale price up-front; some who take hides on consignment with partial payment and some who may not pay anything up front but pay a higher wholesale price. The retail outlets save us the cost of warehousing plus present the hides to the public, making them available for exhibit and sale at no additional cost to Amulet.

In the northern Plains, Jim Warren's numerous visits to the region, contacting people in the leather and decorator fur industry plus bison producers has perhaps produced the most meaningful long-term success for the company in the way of solid contractual agreements for hide tanning from the most prominent players in the bison industry including the NABC. In addition, our print campaign, trade show presence and relationship with the co-op are bringing us tanning projects from other independent producers in the U.S.

U.S. Market Penetration Budget

Additional visits to the U.S. by Jim Warren were required by the illness of our New Mexico agent. In addition, we recognized that considerable business could be done from the northern plains states given the involvement and stature of the North /American Bison Co-op and its major share holder, Ted Turner. Our interest in this regard required some travel to North and South Dakota.

Further activity was necessitated by a Saskatchewan based entrepreneur wishing to establish a retail trading post outlet in Arizona.

